

FINANCIAL REPORT  
GREENWOOD CEMETERY  
December 31, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Greenwood Cemetery</b>	County <b>Emmet</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>1/24/05</b>	Date Accountant Report Submitted to State: <b>6/22/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Hill, Schroderus &amp; Co., LLP</b>			
Street Address <b>923 Spring Street, PO Box 695</b>		City <b>Petoskey</b>	State <b>MI</b>
Accountant Signature <i>Jay Keane, CPA</i>		ZIP <b>49770</b>	Date <b>6/21/05</b>

**GREENWOOD CEMETERY  
FINANCIAL REPORT  
December 31, 2004**

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# Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

January 24, 2005

## Independent Auditors' Report

Cemetery Board and Superintendent  
Greenwood Cemetery  
Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Greenwood Cemetery, Petoskey, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Cemetery's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cemetery's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

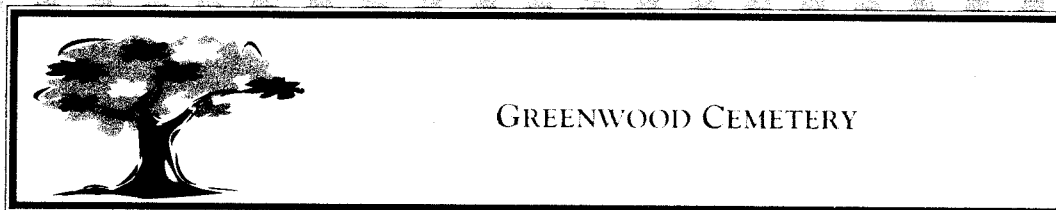
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greenwood Cemetery, as of December 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Cemetery has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit this information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hill Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan



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Petoskey, MI 49770

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **December 31, 2004**

#### **BASIC FINANCIAL STATEMENTS – OVERVIEW**

Greenwood Cemetery's basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). The government-wide statements include the Statement of Net Assets and the Statement of Activities. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.

Comparative data for the prior year is not included within the Management's Discussion and Analysis, but will be included in subsequent years when prior year information is available.

#### **BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity and the change in the Cemetery's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets; restricted net assets; and unrestricted net assets.

Below is the government-wide Statement of Net Assets for Greenwood Cemetery as of December 31, 2004:

**Greenwood Cemetery  
Statement of Net Assets  
December 31, 2004**

Assets

Cash	\$ 113,475
Investments	428,066
Accounts receivable	1,600
Taxes receivable	420,515
Capital assets, net	1,744,470
	<hr/>
Total assets	2,708,126

Liabilities

Deferred property taxes	464,327
Deferred charges	37,355
	<hr/>
Total liabilities	501,682

Net Assets

Invested in capital assets	1,744,470
Restricted for perpetual care	389,430
Unrestricted	72,544
	<hr/>
Total net assets	<u>\$ 2,206,444</u>

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery type services. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

Below is the Statement of Activities for Greenwood Cemetery for the year ended December 31, 2004:

**Greenwood Cemetery  
Statement of Activities  
For the Year Ended December 31, 2004**

Expenses:	
Operating	\$ 355,782
Non-operating	97,305
	<hr/>
Total expenses	453,087
 Program revenues	 75,993
 Net (expense) revenue	 (377,094)
 General revenues	 470,954
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Change in net assets	93,860
 Net assets - beginning	 2,112,584
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Net assets - ending	\$ 2,206,444
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Net assets increased in the current year by \$93,860. This resulted in a 4.4% increase in net assets. Approximately 61% of the operating expenses for the General Fund were capitalized. For the depreciable assets, these expenses will be spread out over their useful lives and will be depreciated on the Statement of Activities. For the non-depreciable assets, such as land, they will remain on the Statement of Net Assets at full cost.

The current year capital expenses included the purchase of additional Cemetery land for approximately \$355,000 and land improvement projects (mainly irrigation work) for \$180,000. The Perpetual Care Fund loaned the General Fund \$350,000 for the purchase of the parcel of land. These funds will be paid back to the Perpetual Care Fund over a 6 year period. In addition, the General Fund will pay the Perpetual Care Fund interest, which is adjusted quarterly based on the Prime Rate.

Below is the capital asset activity for Greenwood Cemetery for 2004:

**Greenwood Cemetery  
Capital Asset Activity  
For the Year Ended December 31, 2004**

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 222,588	\$ 355,643	\$ -	\$ 578,231
Capital assets being depreciated:				
Buildings	204,835	1,729	-	206,564
Site improvements	962,516	177,713	-	1,140,229
Equipment	418,550	3,200	(24,043)	397,707
Office equipment	19,335	8,475	-	27,810
Subtotal	1,605,236	191,117	(24,043)	1,772,310
Less accumulated depreciation:				
Buildings	67,062	3,981	-	71,043
Site improvements	339,270	45,624	-	384,894
Equipment	123,950	24,742	(11,106)	137,586
Office equipment	9,305	3,243	-	12,548
Subtotal	539,587	77,590	(11,106)	606,071
Net capital assets being depreciated	1,065,649	113,527	(12,937)	1,166,239
Governmental activities net Capital assets	\$ 1,288,237	\$ 469,170	\$ (12,937)	\$ 1,744,470

## **BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS**

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

### **Governmental Funds**

The following is a description of the major governmental funds of the Cemetery:

**General Fund** – The General Fund is the general operating fund of the Cemetery. It is used to account for all financial resources except those required to be accounted for in another fund.

**Perpetual Care Fund** – The Perpetual Care Fund is used to account for fees and one-time payments received for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

### **Analysis of Budgeted and Actual Amounts**

Final budgeted amounts for land improvement projects and the purchase of property and equipment were significantly modified from the original budgeted amounts. Land improvement projects and the purchase of property were increased with the purchase of additional Cemetery land and the continued development of a Cemetery irrigation system. Initial plans for equipment purchases were scaled back as the above projects developed. In order to purchase the property, the original budgeted operating transfer to the General Fund was increased.

There were no significant variances between final budgeted amounts and actual amounts.

### **Analysis of the Revenues, Expenditures, and Changes in Fund Balances**

The General Fund expenditures increased by approximately 76% from the prior year expenditures. The main reason for this increase was the purchase of land and the continued development of an irrigation system for the Cemetery. Total revenues, including program and general revenues, were not able to support the current year expenditures. The Perpetual Care Fund transferred \$350,000 to the General Fund for the land purchase. As mentioned above, this loan including interest, will be repaid to the Perpetual Care Fund over a 6 year period.

The General Fund ending fund balance decreased by 40%, while the Perpetual Care Fund ending fund balance decreased by 45%. Currently a majority of the General Fund ending fund balance is designated by the Cemetery Board for land acquisitions. All of the Perpetual Care Fund ending fund balance is reserved for the trust corpus.

### **Financial Contact**

This financial report is designed to provide readers with a general overview of the Cemetery's finances. Please contact the Greenwood Cemetery Superintendent if there are additional questions or information needed.

**GREENWOOD CEMETERY**  
**Governmental Fund Balance Sheet/Statement of Net Assets**  
**December 31, 2004**

	Modified Accrual Basis			Statement of
	General	Perpetual Care	Adjustments	Net Assets
<b><u>Assets</u></b>				
Cash	\$ 72,138	\$ 41,337	\$ -	\$ 113,475
Investments	67,978	360,088	-	428,066
Accounts receivable	1,600	-	-	1,600
Taxes receivable	420,515	-	-	420,515
Due from other funds	11,995	-	(11,995)	-
Capital assets, net of accumulated depreciation	-	-	1,744,470	1,744,470
Total assets	574,226	401,425	1,732,475	2,708,126
<b><u>Liabilities</u></b>				
Due to other funds	-	11,995	(11,995)	-
Deferred property taxes	464,327	-	-	464,327
Deferred charges	37,355	-	-	37,355
Total liabilities	501,682	11,995	(11,995)	501,682
<b><u>Fund Balance/Net Assets</u></b>				
Fund balances:				
Reserved for trust corpus	-	389,430	(389,430)	-
Unreserved:				
Designated for land acquisitions	71,976	-	(71,976)	-
Undesignated	568	-	(568)	-
Total fund balances	\$ 72,544	\$ 389,430		
Net assets:				
Invested in capital assets			1,744,470	1,744,470
Restricted for perpetual care			389,430	389,430
Unrestricted			72,544	72,544
Total net assets			\$ 1,744,470	\$ 2,206,444

See accompanying notes to financial statements.

**GREENWOOD CEMETERY**  
**Statement of Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balances/Statement of Activities**  
**For the Year Ended December 31, 2004**

	Modified Accrual Basis			Statement of
	General	Perpetual Care	Adjustments	Activities
<b>Expenditures/expenses:</b>				
Operating:				
Wages	\$ 160,975	\$ -	\$ -	\$ 160,975
Payroll taxes	14,061	-	-	14,061
Employee benefits	41,955	-	-	41,955
Operating supplies	35,697	-	-	35,697
Contracted services	25,821	-	-	25,821
Utilities	12,517	-	-	12,517
Maintenance and repairs	23,096	-	-	23,096
Vehicle expense	4,593	-	-	4,593
Equipment rental	3,120	-	-	3,120
Insurance	19,997	-	-	19,997
Land improvement projects	179,442	-	(179,442)	-
Purchase of property	355,643	-	(355,643)	-
Equipment purchases	22,912	-	(11,675)	11,237
Miscellaneous	2,713	-	-	2,713
Total operating expenditures/ expenses	902,542	-	(546,760)	355,782
Non-operating:				
Investment expense	-	2,832	-	2,832
Loss on investments	-	12,727	-	12,727
Depreciation expense	-	-	77,590	77,590
Interest expense	4,156	-	-	4,156
Total non-operating expenditures/ expenses	4,156	15,559	77,590	97,305
Total expenditures/expenses	906,698	15,559	(469,170)	453,087
<b>Program revenues:</b>				
Charges for services	61,774	14,219	-	75,993
Net (expense) revenue				(377,094)
<b>General revenues:</b>				
Property taxes	416,962	-	-	416,962
Sale of equipment	3,200	-	(3,200)	-
Interest and investment earnings	5,916	27,553	-	33,469
Miscellaneous	20,523	-	-	20,523
Total general revenues	446,601	27,553	(3,200)	470,954
<b>Operating transfers:</b>	349,305	(349,305)	-	-
(Deficiency) of revenues over expenditures/change in net assets	(49,018)	(323,092)	465,970	93,860
Fund balances/net assets - beginning of year	121,562	712,522	1,278,500	2,112,584
Fund balances/net assets - end of year	\$ 72,544	\$ 389,430	\$ 1,744,470	\$ 2,206,444

See accompanying notes to financial statements.

**GREENWOOD CEMETERY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Greenwood Cemetery was incorporated February 17, 1897, under the provisions of Act 306 of the Local Acts of Michigan. The Cemetery operates under a Board-Superintendent form of government and provides for a joint board from the Townships of Resort, Bear Creek and the City of Petoskey in Emmet County.

The Cemetery's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Cemetery's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Greenwood Cemetery:

**REPORTING ENTITY**

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 and amended by GASBS No. 39. As defined by GASBS No. 14, the Cemetery is required to consider other organizations (component units) for which the nature and significance of their relationship with the Cemetery is such that exclusion would cause the Cemetery's financial statements to be misleading or incomplete. Component units are legally separate entities that are included in the Cemetery's financial statements because of the significance of their operating or financial relationships with the Cemetery.

GASBS No. 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the Cemetery and included in the Cemetery's financial statements is financial accountability. Financial accountability is defined as follows: A primary government (the Cemetery) has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Cemetery has no component units.

**BASIC FINANCIAL STATEMENTS – OVERVIEW**

Greenwood Cemetery's basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). Both the government-wide and the fund financial statements categorize government activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity, and the change in the Cemetery's net assets resulting from the current year's activities.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS – CONTINUED

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Cemetery first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery type services. Program revenues include:

- (1) Charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery; and
- (2) Grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

#### Governmental Funds

The following is a description of the major governmental funds of the Cemetery:

**General Fund** – The General Fund is the general operating fund of the Cemetery. It is used to account for all financial resources except those required to be accounted for in another fund.

**Perpetual Care Fund** – The Perpetual Care Fund is used to account for fees and one-time payments received for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

#### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### BASIS OF ACCOUNTING – CONTINUED

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

#### ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

##### Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

##### Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements.

##### Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are recorded by the Cemetery when the initial individual costs are equal to or greater than \$3,000 and have useful lives greater than a year. Any addition or improvement that either enhances a capital asset's efficiency or extends its expected useful life is also capitalized.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, site improvements and equipment are depreciated using the straight-line method over the following useful lives:

Buildings/Improvements	50 years
Site Improvements	20 years
Equipment	15 years
Office Equipment	5 years

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY – CONTINUED

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Currently the Cemetery has no long-term obligations.

#### Compensated Absences (Vacation and Sick Time)

Vacation days not used during the year may be accumulated. Each employee may carry over up to 40 hours to the next year. Sick time not used during the year may not be accumulated.

All vacation and sick pay accrue when earned in the government-wide financial statements. Sick and vacation pay are recognized in the governmental financial statements when the time is used.

#### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

### COMPARATIVE DATA

Comparative data for the prior year is not included in the Cemetery's financial statements.

### ACCOUNTING CHANGE

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Effective January 1, 2004, the Cemetery implemented the provisions of GASBS No. 34. Changes to the Cemetery's financial statements as a result of GASBS No. 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Cemetery's overall financial position and results of operations.
- Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Cemetery's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets which were previously reported in the General Fixed Asset Account Group.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 2: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all operating funds of the Cemetery. Budgetary control is legally maintained at the fund level.

The Cemetery follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the first Board meeting in November, the Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Cemetery to obtain taxpayer comments.
3. Prior to January 1, the fund budgets are legally enacted through passage of resolutions.
4. The Superintendent is authorized to transfer budgeted amounts between expenditures within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. Budgeted amounts are as originally adopted, or as amended by the Board.
7. Encumbrances, which are commitments related to unperformed contracts for goods or services, lapse at year end and are re-appropriated as part of the subsequent year's budget.

#### **Excess of Expenditures Over Appropriations in Budgeted Funds**

The Cemetery is required under Public Act 621 to adopt a budget for the General Fund. The Cemetery did not have an excess of expenditures over appropriations for the General Fund.

### NOTE 3: **CASH AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Cemetery to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Cemetery is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Cemetery's deposits and investment policy are in accordance with statutory authority.

#### **Cash Deposits**

At December 31, 2004, the carrying amount of the Cemetery's cash deposits and certificates of deposits were \$181,453 and the bank balance was \$193,609. Of the bank balance, \$100,000 was covered by federal depository insurance and \$93,609 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 3: CASH AND INVESTMENTS – CONTINUED

#### Investments

Investments are stated at market value. GASBS No. 31 states that in order for investments to be reported at fair value, interest income should be computed based on the stated interest rate of the debt instrument. Any premium or discount on the debt instrument should not be amortized.

Investments held at a financial institution can be categorized according to three levels of risk. The three levels of risk are:

Category 1 Investments that are insured, registered or held by the entity or by its agent in the Cemetery's name.

Category 2 Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the Cemetery's name.

Category 3 Uninsured and unregistered investments held by the counterparty, its trust or its agent, but not in the Cemetery's name.

\$345,232 of the Perpetual Care Fund investments is U.S. government securities, which is classified by risk level as Category 3. The remaining \$14,856 is mutual funds. The nature of the mutual fund does not allow for risk categorization, which is in accordance with GASBS No. 3.

### NOTE 4: PROPERTY TAXES

#### **Current Revenue**

Property taxes attach as an enforceable lien on property as of December 1, and are collected principally in January through March of the following year. The Cemetery receives its property taxes through Resort Township, Bear Creek Township and the City of Petoskey. The Cemetery is permitted to levy taxes as deemed necessary for general governmental services.

The 2003 State taxable valuation as of April 10, 2003 was \$939,119,299, on which taxes levied consisted of .45 mills for general governmental services.

#### **Deferred Revenue and Taxes Receivable**

Property taxes attaching as an enforceable lien on property as of December 1, 2004, and collected principally in December, 2004 through March, 2005 have been recorded as deferred revenue since they are not budgeted to fund expenditures until 2005. A receivable has been recorded for the portion of these taxes uncollected at December 31, 2004. The 2004 State taxable valuation was \$987,926,950, on which taxes levied consisted of .47 mills for general governmental services.

### NOTE 5: DEFERRED REVENUE

Deferred revenue in the government-wide and the fund financial statements consists of \$37,355 and \$464,327 relating to charges for services and property taxes, respectively, received by year end but not yet earned. The majority of the charges for services pertain to prepaid interments.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The interfund balances within the Cemetery are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 11,995	\$ -
Perpetual Care Fund	<u>-</u>	<u>11,995</u>
	<u><u>\$ 11,995</u></u>	<u><u>\$ 11,995</u></u>

The interfund balance is interest earned in the Perpetual Care Fund that is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

### NOTE 7: INTERFUND TRANSFERS

Operating transfers within the Cemetery are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 349,305	\$ -
Perpetual Care Fund	<u>-</u>	<u>349,305</u>
	<u><u>\$ 349,305</u></u>	<u><u>\$ 349,305</u></u>

In September 2004, the Perpetual Care Fund transferred \$350,000 to the General Fund for the purchase of a parcel of land. These funds originated from the Perpetual Care Fund corpus. The General Fund will repay the \$350,000 back to the Perpetual Care Fund over a 6 year period. In addition, the General Fund will pay the Perpetual Care Fund interest at an annual rate based on the Federal Reserve interest rate, adjusted quarterly. In 2004, this rate was 4.75%.

The operating transfers between the two funds, \$349,305, is the net result of the original loan, a single loan payment from the General Fund to the Perpetual Care Fund, and a yearly transfer of earnings from the Perpetual Care Fund to the General Fund.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the Cemetery during the current year was as follows:

	Balance January 1, 2004	Additions	Deletions	Balance December 31, 2004
<b>Governmental Activities</b>				
Capital assets not Being depreciated:				
Land	\$ 222,588	\$ 355,643	\$ -	\$ 578,231
Capital assets Being depreciated:				
Buildings	204,835	1,729	-	206,564
Site improvements	962,516	177,713	-	1,140,229
Equipment	418,550	3,200	(24,043)	397,707
Office equipment	19,335	8,475	-	27,810
Subtotal	1,605,236	191,117	(24,043)	1,772,310
Less accumulated depreciation:				
Buildings	67,062	3,981	-	71,043
Site improvements	339,270	45,624	-	384,894
Equipment	123,950	24,742	(11,106)	137,586
Office equipment	9,305	3,243	-	12,548
Subtotal	539,587	77,590	(11,106)	606,071
Net capital assets Being depreciated	1,065,649	113,527	(12,937)	1,166,239
Governmental activities net Capital assets	\$ 1,288,237	\$ 469,170	\$ (12,937)	\$ 1,744,470

**NOTE 9: DEFERRED COMPENSATION PLAN**

The Cemetery offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all full-time Cemetery employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 9: DEFERRED COMPENSATION PLAN – CONTINUED

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Cemetery (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Cemetery's general creditors. Participants' rights under the plan were equal to those of general creditors of the Cemetery in an amount equal to the fair market value of the deferred account for each participant.

In complying with the amended Section 457 requirements, these assets are now for the exclusive benefit of participants and not subject to the claims of the Cemetery's general creditors. As such, they are no longer included in an agency fund of the Cemetery.

The Cemetery makes contributions to this deferred compensation plan based on 5% of gross salary for the year. The total deferred compensation plan contribution for 2004 was \$7,470.

### NOTE 10: RESERVED/DESIGNATED FUND BALANCES/RESTRICTED NET ASSETS

#### Major Governmental Funds

The General Fund has \$71,976 designated for land acquisitions.

The Perpetual Care Fund has a corpus of \$389,430 reserved/restricted. Income from the corpus is to be used for the care and maintenance of lots sold and the acquisition of available land. All income was distributed for that purpose at December 31, 2004.

### NOTE 11: RISK MANAGEMENT

The Cemetery is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cemetery belongs to the Michigan Municipal League Liability and Property Pool, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

The Cemetery also belongs to the Michigan Municipal Worker's Compensation and Liabilities Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

Settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

**GREENWOOD CEMETERY**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2004**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
<b>Revenues:</b>				
Interments	\$ 32,000	\$ 28,000	\$ 27,680	\$ (320)
Foundations	3,200	3,000	3,119	119
Lot sales	40,000	31,000	30,975	(25)
Property taxes	409,900	409,900	416,962	7,062
Interest	4,000	5,100	5,916	816
Miscellaneous	4,000	16,100	20,523	4,423
<b>Total revenues</b>	<b>493,100</b>	<b>493,100</b>	<b>505,175</b>	<b>12,075</b>
<b>Expenditures:</b>				
Wages	185,000	164,366	160,975	(3,391)
Payroll taxes	15,000	15,000	14,061	(939)
Employee benefits	50,000	45,000	41,955	(3,045)
Operating supplies	38,000	37,000	35,697	(1,303)
Contracted services	14,000	27,000	25,821	(1,179)
Utilities	16,000	16,000	12,517	(3,483)
Maintenance and repairs	22,000	24,000	23,096	(904)
Vehicle expense	4,200	4,900	4,593	(307)
Equipment rental	5,000	5,000	3,120	(1,880)
Insurance	18,000	20,000	19,997	(3)
Land improvement projects	89,400	179,357	179,442	85
Purchase of property	-	355,643	355,643	-
Equipment purchases	49,500	22,000	22,912	912
Interest expense	-	5,000	4,156	(844)
Miscellaneous	6,000	2,800	2,713	(87)
<b>Total expenditures</b>	<b>512,100</b>	<b>923,066</b>	<b>906,698</b>	<b>(16,368)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(19,000)</b>	<b>(429,966)</b>	<b>(401,523)</b>	<b>28,443</b>
<b>Other financing sources:</b>				
Operating transfer in	19,000	350,000	349,305	(695)
<b>Net change in fund balance</b>	<b>-</b>	<b>(79,966)</b>	<b>(52,218)</b>	<b>27,748</b>
<b>Fund balance - beginning of year</b>	<b>121,562</b>	<b>121,562</b>	<b>121,562</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 121,562</b>	<b>\$ 41,596</b>	<b>\$ 69,344</b>	<b>\$ 27,748</b>



**Hill ♦ Schroderus & Co., LLP**  
Certified Public Accountants & Consultants

January 24, 2005

Cemetery Board and Superintendent  
Greenwood Cemetery  
Petoskey, Michigan 49770

In planning and performing our audit of the financial statements of Greenwood Cemetery for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect Greenwood Cemetery's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties - The Cemetery, as does other small governmental units, has various duties performed by the same individuals that may be performed by various individuals in a larger unit. This apparent lack of separation of duties is partially mitigated by dual signed checks.

This report is intended solely for the information and use of the Greenwood Cemetery Board and superintendent and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

*Hill Schroderus & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan